

MAXIMUS CALIFORNIA HEALTHY FAMILIES PROJECT

Internal Audit Report
HFP Eligibility, Add a Person and Disenrollment

October 1, 2007 to September 30, 2008

Internal Audit - HFP Eligibility, Add a Person and Disenrollment
September 30, 2008

TABLE OF CONTENTS

SECTION	PAGE
<hr/>	
SECTION ONE – INTERNAL AUDITOR’S REPORT	1
SECTION TWO – EXECUTIVE SUMMARY	2
Overview	2
Assertions, Tests and Results	2
SECTION THREE – SCOPE AND OBJECTIVE	6
Scope of the Internal Audit	6
Internal Audit Objective	6
SECTION FOUR – RESULTS	7
Eligibility	7
Add a Person	10
Disenrollment	13
Exception Verification	15

SECTION ONE

Internal Auditor's Report

SECTION ONE – INTERNAL AUDITOR’S REPORT

Mr. Bruce Caswell, President, MAXIMUS Operations Group
Reston, Virginia

We have performed tests of management’s assertions (Section Four) about the internal control structure with respect to the Eligibility, Add a Person, and Disenrollment processing performed by the MAXIMUS California Healthy Families Project (the Project) during the period of October 1, 2007 to September 30, 2008, and its compliance under contract 02MHF026 (Contract) with the State of California Managed Risk Medical Insurance Board (MRMIB) (Specified Requirements) related to the California Healthy Families program. We have also performed tests of the compliance with the Project’s Business Rules, Process Procedures and Work Instructions over Eligibility, Add a Person, and Disenrollment. The Project’s Business Rules, Process Procedures and Work Instructions are meant to assure compliance by the Project with the Contract requirements. Management of the Project is responsible for the Project’s compliance with the Contract requirements. The sufficiency of the tests is solely the responsibility of Management. Consequently, we make no representation regarding the sufficiency of the procedures for the purpose for which this report has been requested or for any other purpose.

Because of inherent limitations in any internal control structure, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We found no significant exceptions to management’s assertions (Section Four) with respect to the internal control structure of Eligibility, Add a Person, and Disenrollment processing performed by the Project and its compliance with the Specified Requirements related to the Programs during the period October 1, 2007 to September 30, 2008, and compliance with the Project’s Business Rules, Process Procedures and Work Instructions over Eligibility, Add a Person, and Disenrollment .

This report is intended solely for the information and use of MAXIMUS Operations Group, the MRMIB, and the auditors of the State of California and is not intended to be and should not be used by anyone other than those specified parties.

Lurie Besikof Lapidus & Company, LLP

Lurie Besikof Lapidus & Company, LLP

November 21st, 2008

SECTION TWO

Executive Summary

SECTION TWO – EXECUTIVE SUMMARY

Overview

This report summarizes the results of our internal audit procedures related to the internal control structure with respect to the Eligibility, Add a Person, and Disenrollment processing performed by the MAXIMUS California Healthy Families Project (the Project) during the period October 1, 2007 to September 30, 2008, and its compliance under contract 02MHF026 (Contract) with the State of California Managed Risk Medical Insurance Board (MRMIB) related to the California Healthy Families program (the Program). This report also covers tests performed relating to compliance with the Project's Business Rules, Process Procedures and Work Instructions over Eligibility, Add a Person, and Disenrollment.

Our testing relied on statistically valid sampling of Eligibility, Add a Person, and Disenrollment occurring during the period from October 1, 2007 to September 30, 2008, to discover any exceptions. Based on the tests performed, we believe that the Eligibility, Add a Person, and Disenrollment processes in place during the period October 1, 2007 to September 30, 2008, produced the desired processing and monitoring results.

The report covers any exceptions noted during the testing procedures of Eligibility, Add a Person, and Disenrollment and any recommendations to improve the controls in Eligibility, Add a Person, and Disenrollment.

Assertions, Tests and Results

Our procedures were designed to test the Eligibility, Add a Person, and Disenrollment processing performed by the Project and its compliance under the Contract with MRMIB related to the Program during the period.

In all cases where sampling was performed, a random selection algorithm was utilized. The sample quantity selected assumed an infinite population with a 95% confidence level, a 5% expected error rate in the population, and a 5% error rate in sampling and testing.

The following are the assertions tested based on the contract provisions:

- **Eligibility**

Assertions

Applications received were processed according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI).

All applications were entered into the case management system correctly; granted entry into the program if the applicant met the eligibility requirements; enrolled in the correct health, dental and vision plans; and the plan notification (834) on enrollment occurred within a reasonable timeframe.

All application supporting documents were imaged and attached to the case file.

Applicants were contacted both with mailings and telephone calls according to the business rules.

Tests

For a statistically valid sample of applications received during the period, we verified compliance with contract requirements, Business Rules, Process Procedures and Work Instructions. The focus included the timeliness and adequacy of correspondence and processing. We reviewed, verified the evidence and tested the following for each application selected in the sample.

- Reviewed evidence of a completed and signed application,
- Verified proof of income and deductions were imaged and the amounts were entered accurately.
- Verified proof of Immigration status or a copy of the birth certificate were included in the imaged documents:
 - ♦ If after two (2) months from effective date of coverage, the immigration status or a copy of the birth certificate must be included. If not included, disenrollment procedures must be either in process or complete.
 - ♦ If prior to two (2) months from enrollment, this attribute will be N/A if not available.
- Verified proof of pregnancy (for an unborn applicant only) was included in the imaged documents.
- Reviewed the source date and verified data entered for accuracy.
- Verified the applicant was uninsured by an employer in the last 90 days, and if not, a reason and date coverage stopped were indicated.
- Tested/recalculated eligibility based upon information in the case file and supporting documents. Compared the recalculated eligibility determination to the system eligibility determination for accuracy.

Results of Tests

No exceptions were noted.

- **Add a Person**

Assertions

Add a Person forms/applications received were processed according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI).

The anniversary date and the case period for all enrolled family members were updated to reflect the most recent eligibility determination date of the last enrolled member.

All Add a Person forms/applications were entered into the case management system correctly; granted entry into the program if the application met the eligibility requirements; enrolled in the correct health, dental and vision plans; and plan notification (834) on enrollment occurred within a reasonable timeframe.

All application supporting documents were imaged and attached to the case file.

Applicants were contacted both with mailings and telephone calls according the Business Rules.

Tests

For a statistically valid sample of Add a Person Forms/Applications received during the period, we verified compliance with contract requirements, Business Rules, Process Procedures and Work Instructions. The focus included the timeliness and adequacy of correspondence and processing. We reviewed, verified the evidence and tested the following for each Add a Person Form/Application selected in the sample.

- Reviewed evidence of a completed and signed application.
- Verified proof of income and deductions were imaged and the amounts were entered accurately.

- Verified proof of Immigration status or a copy of the birth certificate were included in the imaged documents:
 - ♦ If after two (2) months from effective date of coverage, the immigration status or a copy of the birth certificate must be included. If not included, disenrollment procedures must be either in process or complete.
 - ♦ If prior to two (2) months from enrollment, this attribute will be N/A if not available.
- Verified proof of pregnancy (for an unborn applicant only) was included in the imaged documents.
- Reviewed the source date and verified data entered for accuracy.
- Verified the applicant was uninsured by an employer in the last 90 days, and if not, a reason and date coverage stopped were indicated.
- Tested/recalculated eligibility based upon information in the case file and supporting documents. Compared the recalculated eligibility determination to the system eligibility determination for accuracy.
- Verified the anniversary date and the case period for all enrolled family members were updated to reflect the most recent eligibility determination date of the last enrolled member.

Results of Tests

No exceptions were noted.

- **Disenrollment**

Assertions

Participants no longer eligible for HFP were appropriately disenrolled according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI).

When participants were disenrolled, appropriate correspondence was prepared and sent within the required timeframe; appropriate telephone contact was made or attempted according to the HFP Business Rules; appropriate plan notification (834) on disenrollment occurred within the appropriate timeframe.

Tests

For a statistically valid sample of disenrollments during the period, we verified compliance with contract requirements, Business Rules, Process Procedures and Work Instructions. The focus included the timeliness and adequacy of correspondence and processing. We reviewed, verified the evidence and tested the following for each disenrollment selected in the sample.

- Verified the accuracy of the Reason Code based on the case facts.
- Verified the pre-disenrollment procedures occurred correctly, based on the Termination Code.
- Verified for AER disenrollment that the AER packet was sent 60 to 75 days prior to the anniversary date.
- Verified evidence of the required phone calls.
- Verified the correct correspondence (LT 99, LT 72 or LT50) was mailed, along with the correct CE form when required, at least 15 days prior to termination.
- Verified the correct Termination letter (LT6A) was mailed with the correct reason codes listed.
- Verified the eligibility period was closed.

- Verified the case period was closed, if applicable.
- Verified the case client's period was closed.
- Verified the plan selections were closed.
- Verified the 834 requests were sent within 5 days of termination.
- Verified the MEDs transactions were generated appropriately for disenrollment.
- Reviewed the finance screen noting that it reflected the termination (end of coverage date).
- Verified the capitation records were not generated after termination.
- Verified, if appropriate, a CE was granted.
- Tested/recalculated the disenrollment decision based on information in the case file and supporting documents. Compared the disenrollment decision to the system disenrollment decision for accuracy.

Results of Tests

No exceptions were noted.

Detailed results along with the tests performed are presented in Section Four - Results of this report.

SECTION THREE

Scope and Objective

SECTION THREE – SCOPE AND OBJECTIVE

Scope of the Internal Audit

The scope of this internal audit engagement was to examine the Project's stated controls and procedures developed to meet the objectives of the Eligibility, Add a Person, and Disenrollment provisions of the Project's contract with the MRMIB during the period October 1, 2007 to September 30, 2008.

Internal Audit Objective

The overall objective of this internal audit engagement was to verify the Project's controls and procedures ensure that the rules of the contract with the MRMIB regarding the Eligibility, Add a Person, and Disenrollment processes were implemented and operational during the period October 1, 2007 to September 30, 2008.

SECTION FOUR

Results

SECTION FOUR – RESULTS

The components, testing procedures performed and results are listed below.

Assertions	Internal Audit Procedures	Results
Eligibility		
Applications received were processed according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI).	<ul style="list-style-type: none"> • <i>Obtained</i> from the system database for HFP the new SPE applications processed during the period October 1, 2007 to September 30, 2008. 	Obtained seven hundred twenty one thousand and ninety five (721,095) records during the period October 1, 2007 to September 30, 2008.
<ul style="list-style-type: none"> • Eligibility determination and enrollment must occur within three (3) business days from the date the application was received at the HFP eligibility unit, or three (3) days from the date the application was made complete. 	<ul style="list-style-type: none"> • <i>Obtained</i> from the developer of the query a copy of the query logic for review. 	Obtained the query used to obtain the SPE applications without exception.
<ul style="list-style-type: none"> • HFP eligible applicants are enrolled into their plans of choice. 	<ul style="list-style-type: none"> • <i>Reviewed</i> the query logic to ensure that there will be no unintended exclusions from the population derived from the query results. 	Reviewed the query logic noting no unintended exclusions from the population.
<ul style="list-style-type: none"> • An effective date is established at the time of enrollment, which is ten (10) calendar days from the date the person is determined eligible. Title 10 2699.6613. (a) • Once the HFP enrollment process is complete, eligible applicants receive a welcome call and letter. Title 10 2699.6607. (g) 	<ul style="list-style-type: none"> • <i>Selected</i> a statistically valid sample from the SPE Application population obtained in step 1 above during the period October 1, 2007 to September 30, 2008 (the Applications sample). 	<p>Selected a statistical sample of seventy-three (73) from the SPE Application records without exception achieving:</p> <ul style="list-style-type: none"> • A 95% confidence level, with a tolerable margin of error in the result of plus or minus 5%. • An expected error rate in the population pool sampled of 5% (conservative based on history) • An estimated sampling error rate of 5%.

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none"> • <i>Traced</i> the application data from the completed application (or other evidence) to the case file data entered in the system for the following attributes: <ul style="list-style-type: none"> ▪ Completed and signed application ▪ Proof of income and deductions ▪ Proof of Immigration status or a copy of the birth certificate: <ul style="list-style-type: none"> ♦ If after two (2) months from effective date of coverage, the immigration status or a copy of the birth certificate must be included. If not included, disenrollment procedures must be either in process or complete. ♦ If prior to two (2) months from enrollment, this attribute will be N/A if not available. ▪ Proof of Pregnancy (for unborn applicant only) ▪ Data entered for accuracy ▪ Uninsured by an employer in the last 90 days, if not, note the reason and date coverage stopped 	<p>Traced the seventy-three (73) SPE applications noting that all applications were processed according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI) without exception.</p>

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none">• <i>Recalculated</i> eligibility based upon information in the case file and supporting documents. Compared to the system eligibility decision.	Recalculated eligibility with the information in the case file and compared it to the eligibility decision noted in the file without exception.
	<ul style="list-style-type: none">• <i>Examined</i> the 2008 Poverty Level Guidelines for all states (except Alaska, Hawaii and Washington D.C.) indicating 100% to 250% of the poverty level.	Examined the 2007 and 2008 Poverty level guidelines for all states without exception
	<ul style="list-style-type: none">• <i>Examined</i> the California joint application packet for both Healthy Families and Medi-Cal for Children for eligibility screening requirements.	Examined the California joint application packet for both Healthy Families and Medi-Cal for Children for eligibility screening requirements without exception.

Assertions	Internal Audit Procedures	Results
Add a Person		
<p>Add a Person forms/applications were processed according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI).</p> <ul style="list-style-type: none"> Eligibility determination and enrollment must occur within three (3) business days from the date the application was received at the HFP eligibility unit, or three (3) days from the date the application was made complete. HFP eligible applicants are enrolled into their plans of choice. An effective date is established at the time of enrollment, which is ten (10) calendar days from the date the person is determined eligible. Title 10 2699.6613. (a) Once the HFP enrollment process is complete, eligible applicants receive a welcome call and letter. Title 10 2699.6607. (g) 	<ul style="list-style-type: none"> <i>Obtained</i> from the system database for HFP the "Add a Person" applications processed during the period October 1, 2007 to September 30, 2008. 	Obtained forty five thousand one hundred and sixty six (45,166) records during the period October 1, 2007 to September 30, 2008.
	<ul style="list-style-type: none"> <i>Obtained</i> from the developer of the query a copy of the query logic for review. 	Obtained the query used to obtain the Add a Person applications without exception.
	<ul style="list-style-type: none"> <i>Reviewed</i> the query logic to ensure that there will be no unintended exclusions from the population derived from the query results. 	Reviewed the query logic noting no unintended exclusions from the population.
	<ul style="list-style-type: none"> <i>Selected</i> a statistically valid sample from the "Add a Person" applications population obtained in step 1 above during the period October 1, 2007 to September 30, 2008 (the Add a Person sample). 	<p>Selected a statistical sample of seventy-three (73) from the Add a Person records without exception achieving:</p> <ul style="list-style-type: none"> A 95% confidence level, with a tolerable margin of error in the result of plus or minus 5%. An expected error rate in the population pool sampled of 5% (conservative based on history). An estimated sampling error rate of 5%.

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none"> • <i>Traced</i> the application data from the completed application (or other evidence) to the case file data entered in the system for the following attributes: <ul style="list-style-type: none"> ▪ Completed and signed application ▪ Proof of income and deductions ▪ Proof of Immigration status or a copy of the birth certificate: <ul style="list-style-type: none"> ♦ If after two (2) months from effective date of coverage, the immigration status or a copy of the birth certificate must be included. If not included, disenrollment procedures must be either in process or complete. ♦ If prior to two (2) months from enrollment, this attribute will be N/A if not available. ▪ Proof of Pregnancy (for unborn applicant only) ▪ Data entered for accuracy ▪ Uninsured by an employer in the last 90 days, if not, note the reason and date coverage stopped 	Traced the seventy-three (73) Add a Person applications noting that all applications were processed according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI) without exception.

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none">• <i>Recalculated</i> eligibility based upon information in the case file and supporting documents. Compared to the system eligibility decision.	Recalculated eligibility with the information in the case file and compared it to the eligibility decision noted in the file without exception
	<ul style="list-style-type: none">• <i>Verified</i> the anniversary date and the case period for all enrolled family members was updated to reflect the most recent eligibility determination date of the last enrolled member.	Verified the anniversary date and the case period for all enrolled family members was updated to reflect the most recent eligibility determination date of the last enrolled member without exception.

Assertions	Internal Audit Procedures	Results
Disenrollment		
<p>Participants that are no longer eligible for HFP were appropriately disenrolled according to the requirements set out by the HFP Business Rules and appropriate Letters of Instruction (LOI).</p> <p>Prior to disenrolling the subscriber, written notification to the applicant must be sent in the appropriate timeframe according to the HFP Business Rules. The written notification must include the following:</p> <ul style="list-style-type: none"> The reason for disenrollment. The effective date of disenrollment. The final day of coverage provided through the program. An explanation of the appeals process including the right to request continued enrollment pursuant to Section 2699.6612. 	<ul style="list-style-type: none"> <i>Obtained</i> from the system database for HFP the disenrollment during the period October 1, 2007 to September 30, 2008. 	Obtained three hundred sixty five thousand three hundred eighty four (365,384) records during the period October 1, 2007 to September 30, 2008.
	<ul style="list-style-type: none"> <i>Obtained</i> from the developer of the query a copy of the query logic for review. 	Obtained the query used to obtain the disenrollments without exception.
	<ul style="list-style-type: none"> <i>Reviewed</i> the query logic to ensure that there will be no unintended exclusions from the population derived from the query results. 	Reviewed the query logic noting no unintended exclusions from the population.
	<ul style="list-style-type: none"> <i>Selected</i> a statistically valid sample from the disenrollment population obtained in step 1 above during the period October 1, 2007 to September 30, 2008 (the disenrollment sample). 	<p>Selected a statistical sample of seventy-three (73) from the disenrollment records without exception achieving:</p> <ul style="list-style-type: none"> A 95% confidence level, with a tolerable margin of error in the result of plus or minus 5%. An expected error rate in the population pool sampled of 5% (conservative based on history). An estimated sampling error rate of 5%.
	<ul style="list-style-type: none"> <i>Traced</i> the disenrollment data (evidence) to the case file data entered in the system for the following attributes: <ul style="list-style-type: none"> Reason Code was accurate based on facts 	Traced the seventy-three (73) disenrollments noting that all disenrollments were processed according to the requirements set by the HFP Business Rules and Appropriate Letters of Instruction (LOI) with no notable exceptions noted.

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none"> ▪ Pre disenrollment occurred correctly, based on term. Code. ▪ (For AER disenrollment only) AER packet 60 to 75 days prior to anniversary date ▪ Required phone calls made ▪ Correct correspondence (LT 99, LT 72 or LT50) mailed, along with the correct CE form when required, at least 15 days prior to termination ▪ Correct Termination letter (LT6A) mailed with correct reason codes listed ▪ Eligibility period closed ▪ Case period is closed, if applicable ▪ Case client's period is closed ▪ Plan Selections are closed ▪ 834 requests are sent within five (5) days of termination ▪ MEDs transactions generated for disenrollment ▪ Finance screen reflects the termination (end of coverage date) ▪ Capitation records are not generated after termination 	
	<ul style="list-style-type: none"> • <i>Verified</i>, if appropriate, a CE was granted. 	Verified all CE requests were granted as appropriate without exception.

Assertions	Internal Audit Procedures	Results
	<ul style="list-style-type: none">• <i>Recomputed</i> the disenrollment decision based upon information in the case file and supporting documents. Compared to the system disenrollment decision.	Reviewed the disenrollment decision based upon information in the case file and compared it to the system disenrollment decision finding no exceptions.
Exception Verification		
All exceptions were verified and an explanation received from MAXIMUS management.	<ul style="list-style-type: none">• <i>Reviewed</i> all exceptions with appropriate MAXIMUS personnel and obtained responses for each.	Reviewed all discrepancies with appropriate MAXIMUS personnel.